SASKATCHEWAN GRAIN CAR CORPORATION

ANNUAL REPORT

For the Year Ended
July 31, 1987

88-04334/

Saskatchewan Grain Car Corporation

April 11, 1988
Regina, Saskatchewan

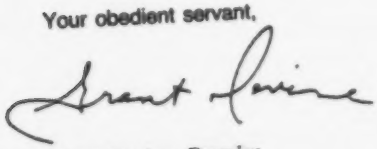
To His Honour
the Honourable Frederick Johnson
Lieutenant-Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the annual report of the Saskatchewan Grain Car Corporation for the year ending July 31, 1987, including the financial statements therefore, duly certified by Skilnick and Partners, the Corporation's external auditor and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Grain Car Corporation Act, 1981.

I have the honour to be Sir,

Your obedient servant,



Grant Devine, Premier,
Minister of Agriculture
and Minister in Charge
of the Saskatchewan Grain
Car Corporation

Saskatchewan Grain Car Corporation

DIRECTORS

Honourable Grant Devine, Regina

Stuart Kramer, Regina

Gordon Keats, Melville

MANAGEMENT

Stuart Kramer, Regina
Acting General Manager

Donald Shawaga, Melville
Fleet Superintendent

Sandra Konechny, Melville
Secretary

Saskatchewan Grain Car Corporation

Annual Report 1987

The Saskatchewan Grain Car Corporation's hopper car fleet continued to be used in the Canadian Wheat Board's Western Division during the 1986-87 crop year. Saskatchewan Grain Car Corporation had 474 hopper cars on CN lines and 523 on CP lines devoted to grain service. The percentage of cars on the CN and CP was based on the total bushels handled by each carrier in the 5 year period October, 1974 to September, 1979. Every two years this formula may be re-applied to the most recent 5 years to determine a possible re-allocation of cars. No request for re-allocation was received during the 1986-87 crop year.

The Corporation's office is located in Melville, Saskatchewan. The office is operated by two staff members.

The Corporation extended the Operating Agreement, originally signed with the CN, CP and Canadian Wheat Board in February, 1981, until a new agreement is ratified. This Agreement allows for the 6 major grains, wheat, oats, barley, rye, flax and rapeseed to be carried within the Western Division. Other grains may be handled with authorization from the Corporation. In the 1986-87 Crop Year the Corporation authorized two movements outside the Western Division as well as movement of grains covered under Schedule I of Bill C155, Western Transportation Act, to ensure utilization of the equipment was at its highest.

During 1986-87 the Corporation's computerized car monitoring system continued to follow the day-to-day movements of the fleet highlighting inactive cars, misloads, or activities contrary to the Corporation's contractual arrangements with the railroads and the Canadian Wheat Board. A bi-monthly summary of statistical reports is obtained to help ensure the fleet is used to capacity.

The following charts compare operations of Saskatchewan Grain Car Corporation's fleet in the 1986-87 and the 1985-86 crop years.

Major Grains Transported in Western Division	**1986-87** (Tonnes)	**1985-86** (Tonnes)
Wheat	878,520	800,330
Oats	15,600	4,840
Barley	302,480	202,310
Rye	8,320	10,490
Flax	30,160	26,590
Rapeseed	105,650	79,930
	1,340,730	1,124,490

Saskatchewan Grain Car Corporation

The Corporation's hopper cars moved 1.34 million tonnes of major grains in 1986-87 compared to 1.12 million tonnes in 1985-86 within the Western Division. This represents a 20% increase for SGCC movements from 1985-86.

Saskatchewan produced a record crop of 25.4 million tonnes of the six major grain and oil seeds in 1986.

Canadian grain exports during the 1986-87 crop year were an all time record. Exports were 30.8 million tonnes compared to 23.8 million tonnes in 1985-86.

In addition to the 6 major grains, approximately 56,000 tonnes of other crops such as alfalfa pellets, malt, bran, etc. were moved within the Western Division, and 69,500 tonnes of major grains travelled out of the Western Division to Eastern Ports to meet export opportunities, making a grand total of 1,466,230 tonnes handled by Saskatchewan Grain Car Corporation hopper cars in the 1986-87 Crop Year. (An increase of 30% in total handling over last year's movements.)

Origin of Movements	**1986-87** (%)	**1985-86** (%)
Saskatchewan	51.5	49.0
Alberta	35.0	28.0
Manitoba	13.0	22.5
British Columbia	.5	.5
	100.0	100.0

Destinations within Western Division	**1986-87** (Trips)	**1985-86** (Trips)
Thunder Bay	7,023	6,265
Vancouver	7,343	6,696
Prince Rupert	2,291	883
Inland Mills, Feed Plants, etc.	621	831
	17,278	14,675

No cars moved to the Port of Churchill due to the inability of this line to handle hopper cars.

Round Trip Car Cycles
(Average elapsed time for cars to load, unload and reload)

To Port:	**1986-87** (Days)	**1985-86** (Days)
Thunder Bay	19.5	21.6
Vancouver	21.3	26.8
Prince Rupert	21.1	28.9
Average — All Ports	20.5	24.7

The Corporations's average round trip car cycle decreased to 20.5 days in 1986-87 from 24.7 days in the previous year.

Saskatchewan Grain Car Corporation

Delay in Car Movements	1986-87 (Number of cars- % of Fleet)	1985-86 (Number of cars- % of Fleet)
CN	39 - 8.2	42 - 8.8
CP	58 - 11.1	82 - 15.7
Both	97 - 9.7	124 - 12.4

This chart on delayed cars is based on a definition of a delayed car as one which has not had a change in status for more than 10 days. These delays were calculated bi-weekly and were averaged to give an annual figure. The percentage figure was based on the number of cars on each line, that is 523 on CP and 474 on CN.

Damaged Cars

Railway	1986-87	1985-86	Total Since Built
CN	8	1	49
CP	3	2	33
Both	11	3	82

Damage to cars was caused by derailments, side-swipes, loading and unloading accidents, etc. Two cars were declared damaged beyond economical repair during 1984-85 and one during 1986-87. The depreciated value of $143,363.03 for the three cars was forwarded to the Corporation by the railway and placed in a special Reserve Fund set aside to purchase replacement cars when it is economically advisable to do so. The three cars were not replaced in the 1986-87 Crop Year. The balance of the cars were repaired and are in service.

Alternate Use of Cars

The Corporation's hopper cars were utilized in two additional movements, as follows:

1) Due to the labor dispute in Thunder Bay from September 2nd to October 9th, 1986 the Corporation's cars contributed 147 carloads to a 2090 carload (186,510 tonne) movement from cleaning plants in Saskatoon, Moose Jaw, Weyburn, Rosetown, Lethbridge and Edmonton to eastern ports.

2) To assist the Canadian Wheat Board from January to March, 1987, in meeting their export commitments the Corporation's cars moved 618 carloads out of a 10,100 carload (910,000 tonne) movement from Thunder Bay to Eastern Terminals.

Saskatchewan Grain Car Corporation

Auditor's Report 1987

To the Members of the Legislative Assembly
Province of Saskatchewan.

We have examined the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 1987, and the statement of revenue and expenditure and surplus and cash flows for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at July 31, 1987 and the results of its operations for the year then ended in accordance with the disclosed basis of accounting applied on a basis consistent with that of the preceding year.

The comparative figures provided for the prior year have been reported on by other auditors'.

Skilnick + Partners

Melville, Saskatchewan
December 4, 1987.

SKILNICK & PARTNERS
Chartered Accountants.

Saskatchewan Grain Car Corporation

Statement 1 — Statement of Financial Position

July 31, 1987

	OPERATING FUND		CAPITAL FUND		RESERVE FUND	
	1987	1986	1987	1986	1987	1986
ASSETS						
Current Assets						
Cash	$ 1,096	$ 126	—	—	$ 5,242	—
Short-term investments, at cost	7,900	27,500	—	—	156,136	113,554
Accounts receivable						
—accrued interest on short-term investment	1	40	—	—	7,170	1,470
—miscellaneous	3,735	972	—	—	—	—
Prepaid expenses	1,184	1,184	—	—	—	—
	13,916	29,822	—	—	168,548	115,024
Fixed assets (Note 1(b) & (e))	—	—	54,214,423	54,214,423	—	—
Less accumulated depreciation (Note 1(e))	—	—	3,666,660	3,666,660	—	—
	—	—	50,547,763	50,547,763	—	—
	13,916	29,822	50,547,763	50,547,763	168,548	115,024
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable	1,534	451	—	—	—	—
Long-term loan from the Heritage Fund (Note 3)	—	—	46,349,629	46,349,629	—	—
Surplus — Statement 2	12,382	29,371	4,198,134	4,198,134	168,548	115,024
	13,916	29,822	50,547,763	50,547,763	168,548	115,024

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Statement 2 — Statement of Revenue and Expenditure and Surplus

For the Year Ended July 31, 1987

	Operating Fund (Note 1)	Capital Fund (Note 1)	Reserve Fund (Note 1)	Total 1987	Total 1986
Revenue					
Grant — Consolidated Fund — Department of Agriculture	$ 85,000	$ —	$ —	$ 85,000	$ 88,696
Compensation for damaged cars	—	—	43,966	43,966	—
Interest on short-term investments	2,170	—	9,557	11,727	12,794
Miscellaneous Revenue (Note 4(b))	4,259	—	—	4,259	2,952
	91,429	—	53,523	144,952	104,442
Expenditures					
Salaries	72,895	—	—	72,895	72,686
Board of Director expenses	—	—	—	—	—
Administration expenses —Schedule 2	35,523	—	—	35,523	27,303
	108,418	—	—	108,418	99,989
Excess of revenue over expenditure (expenditure over revenue)	(16,989)	—	53,523	36,534	4,453
Surplus, beginning of year	29,371	4,198,134	115,025	4,342,530	4,338,077
Surplus, end of year	12,382	4,198,134	168,548	4,379,064	4,342,530

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Statement 3 — Statement of Cash Flows

For the Year Ended July 31, 1987

	1987	1986
Cash provided by operating activities:		
Earnings before extraordinary items	$ 36,534	$ 4,453
Add: Charges not requiring current cash payments	—	—
	36,534	4,453
Net change in non-cash working capital balances related to operations	(7,340)	(1,915)
Cash provided by operations	29,194	2,538
Cash provided by (used in) investment activities		
Decrease (increase) in S.T. Investments	(22,982)	(2,670)
Cash provided by (used in) investment activities	(22,982)	(2,670)
Cash provided by (used in) financing activities		
Decrease in long-term debt	—	—
Cash used in financing activities	—	—
Net increase (decrease) in cash during year	6,212	(132)
Cash position at beginning of year	126	258
Cash position at end of year	6,338	126

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Notes to Financial Statements

July 31, 1987

1. **Significant Accounting Policies**

These financial statements have been prepared in accordance with accounting policies that are considered appropriate for organizations of this type. The significant accounting policies are as follows:

a) The accounts of the Corporation are maintained in three segments:

i) Capital Fund

1. The fixed assets (grain cars) of the Corporation are maintained in a Capital Fund, along with the related liability to the Heritage Fund.

2. Since no significant revenue is attributable to the grain cars, the recording of depreciation in the accounts has been discontinued.

ii) Reserve Fund

All cash receipts from the railways by way of compensation for irreparable damage to grain cars will be retained in the Fund and will be used solely for the purchase of replacement cars. All interest earned from these cash balances will be retained in this Fund. To date, three cars have been irreparably damaged and have not yet been replaced.

iii) Operating Fund

The operating costs and revenue for the Corporation are recorded in the Operating Fund.

b) Purchase of Grain Cars:

The purchase of the grain cars is grouped as a "pool". Purchase costs of cars, together with transportation and inspection expenses are capitalized. The cost of the pool will not be adjusted for irreparably damaged cars nor for replacements purchased from the Reserve Fund.

c) Purchase of Other Fixed Assets:

Purchases of office equipment will be expensed in the year of acquisition to the Operating Fund.

d) Operating Revenue:

According to the terms of the Operating Agreement between Saskatchewan Grain Car Corporation, Canadian National Railway Company, Canadian Pacific Limited and the Canadian Wheat Board, the railways have the right to manage and operate the cars. Revenue earned by the cars in the movement of wheat, oats, barley, rye, flaxseed and rapeseed in the Western Division shall accrue to the railways for their own account.

e) Depreciation of Grain Cars:

The policy of recording depreciation was discontinued in 1984. This change in accounting policy was necessitated by the change in the terms of the repayment of the long term debt described in note 3, which eliminated the payment of the grant to the Corporation by the Department of Agriculture. Previously depreciation was offset against this grant.

2. **Status of the Corporation**

The Saskatchewan Grain Car Corporation w. established by Order-in-Council 1787/79 on October 2, 1979, and continues under the provisions of The Saskatchewan Grain Car Corporation Act.

3. **Long-Term Debt**

Up to and including March 31, 1983, net operating expenses and debt charges on the long-term loan have been covered annually by an equal grant from the Department of Agriculture from funds appropriated by the Legislature. Effective March 31, 1983, debt charges and principal repayment terms were significantly changed.

By Order-in-Council 1164/83 dated August 3, 1983, the terms and conditions relating to the loan from the Heritage Fund were amended as follows:

a) The principal amount outstanding of the loan shall be repaid by the 31st day of March, 2011. The Corporation shall have the right to repay from time to time any part of the principal amount outstanding prior to March 31, 2011.

b) The loan shall not bear any interest from and after March 31, 1983.

4. **Related Party Transactions**

a) Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

b) The Corporation's Melville office is located in a government building and prior to April 1, 1987 no rent was paid for use of this space. Effective April 1, 1987 a rental charge of $708 per month has been collected from the Corporation by Saskatchewan Property Management for occupancy of the required office space.

c) Miscellaneous revenue represents recoveries by the Corporation of a portion of the cost of jointly shared secretarial and telephone services with the Saskatchewan Water Corporation.

Saskatchewan Grain Car Corporation

Schedule 1 — Schedule of Investments

As at July 31, 1987

	Description	Rate	Maturity Date	Amount
Operating Fund				
	Melville Credit Union Term Deposit	5.50%	August 29, 1987	$ 7,900
				7,900
Reserve Fund				
	Melville Credit Union Term Deposit	8.00%	November 30, 1987	117,236
	Melville Credit Union Term Deposit	5.50%	August 8, 1987	38,900
				156,136

Saskatchewan Grain Car Corporation

Schedule 2 — Schedule of Administration Expenses

For the Year Ended July 31, 1987

	1987	1986
Computer Services and Equipment	$ 22,374	$ 18,125
Office Supplies and Rent	291	240
Printing and Copying	1,314	602
Rent — Office Space	2,833	—
Telephone and Telex	7,027	6,191
Travel and Sustenance	1.594	2,085
Miscellaneous	90	60
Totals — To Statement 2	35,523	27,303

ISSN 0822-241X